

## Message Text

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ORIGIN ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 L-03 TRSE-00 AID-05

CIAE-00 INR-07 NSAE-00 /033 R

DRAFTED BY ARA/BC/B - MR. PACE:LEE

APPROVED BY ARA/BC - MR. LOWENTHAL

EB/IFD/OIA - DSTEBBING (DRAFT)

----- 126564

R 021813Z JUL 76

FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ

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E.O. 11652: N/A

TAGS: EINV, BL, US

SUBJECT: POTENTIAL INVESTMENT DISPUTE: PROTEBOL

REF: (A) LA PAZ 5050; (B) STATE 156896

1. DR. LOUIS BUSONY, VICE PRESIDENT OF PRODUCTOS TECNICOS BOLIVIANOS, (PROTEBOL) MET WITH REPRESENTATIVES OF ARA/BC AND EB/IFD/OIA JULY 1, 1976 TO DISCUSS PROTEBOL'S CURRENT PROBLEMS. BUSONY PROVIDED FOLLOWING SUMMARY HISTORY OF COMPANY'S OPERATIONS TO DATE. PROTEBOL WAS INCORPORATED IN 1964, AND SUBSEQUENTLY ACQUIRED LAND, BUILT A FACTORY AND HAS OBTAINED JAPANESE MACHINERY TO INITIATE PRODUCTION OF BICYCLE TIRES. BOTH INITIAL PURCHASE OF THIS MACHINERY AND SUBSEQUENT RENEGOTIATION OF LINE OF CREDIT FROM BANCO DEL ESTADO IN SEPTEMBER 1975 OCCURED WITH ASSISTANCE OF FUNDS FROM USAID/B. DESPITE THIS HELP, HISTORY OF PROTEBOL REVEALS "ONE FINANCIAL CRISIS AFTER ANOTHER" ACCORDING TO BUSONY. FIRM CONTINUES TO LACK ADEQUATE WORKING CAPITAL, RESULTING IN DEFAULT ON INTEREST PAYMENTS OWED TO BANCO DEL ESTADO IN APRIL 1976. WHILE NOTING THAT BANCO DEL ESTADO LIMITED OFFICIAL USE

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WAS TOLERANT OF DELINQUENCIES IN 1969-71 PERIOD, AND CON-

TINUES TO HOLD MORTGAGE ON PROTEBOL PROPERTY FOR MANY YEARS,  
BUSONY PROFESSED TO BE SURPRISED AT BANK'S PLAN TO AUCTION  
COMPANY ASSETS DUE TO RECENT DEFAULT ON APPROXIMATELY

\$17,000 DUE TO BANK IN INTEREST PAYMENTS.

2. BUSONY REPEATEDLY EXPRESSED HIS PERPLEXITY OVER RECENT  
CONDUCT OF FORMER PROTEBOL PRESIDENT AND GENERAL MANAGER  
RILEY, WHO RESIGNED HIS TWO POSITIONS EFFECTIVE APRIL 1,  
1976. RILEY IS THE ONLY US CITIZEN INVESTOR IN PROTEBOL  
RESIDENT IN BOLIVIA. DR. BUSONY STATES THAT HIS UNCONFIRM-  
ED SUSPICIONS WERE AROUSED BY RILEY'S RECENT FORMATION OF  
ANOTHER COMPANY, WHICH BUSONY SUSPECTS MAY BE PLANNING TO  
ENTER INTO COMPETITION WITH PROTEBOL OR POSSIBLY ACQUIRE  
PROTEBOL. DR. BUSONY EXPRESSED UNCERTAINTY AS TO WHETHER

RILEY HIMSELF, PRESENT GENERAL MANAGER WILLY FLORES MEDINA  
(WHO WAS SELECTED BY RILEY) OR THE BANCO DEL ESTADO IS MORE  
RESPONSIBLE FOR PROTEBOL'S PRESENT DILEMMA.

3. BUSONY REQUESTED THE SUPPORT OF THE DEPARTMENT OF STATE  
TO SEEK AN INJUNCTION IN BOLIVIA AGAINST THE BANCO DEL  
ESTADO'S PLAN TO SELL THE COMPANY'S ASSETS AT AUCTION.  
DEPARTMENT OFFICERS INFORMED HIM THAT ANY LEGAL ACTION IN  
BOLIVIA WOULD HAVE TO BE UNDERTAKEN BY THE COMPANY'S  
ATTORNEY, WITH WHOM GENERAL MANAGER FLORES IS ALREADY IN  
CONTACT. BUSONY WAS ALSO REMINDED OF BANK'S DECISION TO  
SET A 30-DAY DEADLINE FOR RESOLUTION OF THIS DISPUTE.  
DR. BUSONY STATED HIS INTENTION TO VISIT BOLIVIA DURING  
EARLY TO MID-JULY, WHEN HE WILL INITIATE CONTACT WITH  
THE BANCO DEL ESTADO, THE US MISSION AND PROTEBOL. HE ALSO  
PLANNED TO MEET WITH BOLIVIAN AMBASSADOR CRESPO ON THE  
AFTERNOON OF JULY 1, 1976.

4. FYI. BOTH DEPARTMENT OFFICERS WHO MET WITH DR. BUSONY  
RECEIVED THE CLEAR IMPRESSION THAT HE IS NOT WELL INFORMED  
ABOUT PROTEBOL'S OPERATIONS AND FINANCIAL STATUS, DESPITE  
HIS POSITION AS THAT COMPANY'S HIGHEST-RANKING OFFICIAL  
IN THE US. DR. BUSONY ADMITS THAT HE HAS ONLY VISITED  
BOLIVIA ON TWO OCCASIONS, IN DECEMBER 1971 AND AUGUST 1973.  
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HE WAS UNAWARE OF SUCH BASIC FACTS AS THE NUMBER OF WORKERS  
EMPLOYED BY HIS COMPANY. FURTHER, HE APPEARS TO HAVE RE-  
LIED EXCLUSIVELY FOR HIS INFORMATION ABOUT PROTEBOL ON RE-  
PORTS SENT BY RILEY, AND MORE RECENTLY BY FLORES. SOME OF  
THESE REPORTS, SUCH AS A LETTER FROM RILEY DATED OCTOBER 2,  
1975, APPEAR TO CONTAIN INACCURATE AND MISLEADING INFORMA-  
TION. COMATT AND USAID MAY WISH TO REVIEW CONTENTS OF SUCH  
DOCUMENTS WITH DR. BUSONY.

5. ACTION REQUESTED: DEPARTMENT WOULD APPRECIATE RECEIVING ANY FURTHER INFORMATION AVAILABLE TO EMBASSY AND USAID ON PROTEBOL. EMBASSY IS REQUESTED TO PROVIDE ALL

APPROPRIATE ASSISTANCE AND GUIDANCE TO DR. BUSONY. EMBASSY AND/OR USAID MAY WISH TO ACCOMPANY BUSONY IN HIS CALLS ON GOB OFFICIALS, IN VIEW OF USG INVOLVEMENT IN THIS ISSUE THROUGH FRI FUNDS AS NOTED IN REFTEL A. KISSINGER

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